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SUBJECT: CASTRO VISITS MOSCOW TO REJUVENATE RELATIONS

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¶1. (SBU) Summary: Cuban President Raul Castro visited Moscow from January 28 to February 4 in an effort to boost trade ties and rejuvenate relations with Russia. Despite some exercises in Communist-era nostalgia, experts were quick to downplay any anti-U.S. angle to the trip. Medvedev and Castro signed a number of agreements to establish joint ventures in various areas of economic activity, including automobile manufacturing and energy cooperation, although energy experts were quick to discount the oil agreements. Additionally, Cuba will receive over USD 350 million in loans and aid, which are contingent on purchasing Russian goods and services. Prior to Castro's visit, DPM Sechin negotiated a number of economic agreements with the Cuban government, continuing his role as the frontman for this vanity foreign policy. End summary.

Despite Communist-Era Nostalgia, Visit Not Anti-U.S.

¶2. (SBU) On a January 28 to February 4 visit to Moscow, Raul Castro and Dmitriy Medvedev signed at least 24 documents on mutual cooperation, capping recent Russian efforts to revitalize its relationship with Cuba. This was the first high-level Cuban visit to Russia since 1985. Despite some exercises in nostalgia, such as when Castro ate "salo" (bacon lard: a delicacy) at the former Politburo hunting lodge in Zavidovo, a place he last visited in 1984, analysts were quick to discount any anti-U.S. angle to the trip. They instead focused on practical steps taken by both sides to boost economic cooperation. They pointed out that, despite FM Lavrov's statements made in Prensa Latina ahead of Castro's visit that Russia would press for the lifting of U.S. sanctions against Cuba, no new Russian initiatives toward this end have been undertaken.

¶3. (SBU) Director of the Latin America Institute Vladimir Davydov said that any gestures of support for Cuba against the United States have always been merely symbolic. This trip, he said, "should dispel concerns that Russia was reviving ties with Cuba to spite the United States."

Increased Trade Sought

¶4. (U) In a January 30 press conference, Medvedev said that Russian-Cuban bilateral trade stood at USD 239 million, with Cuba representing 0.05 percent of Russia's foreign trade, while Russia accounted for 2.2 percent of Cuba's. Medvedev claimed this level of trade was "absolutely not the kind of level that can satisfy our countries," and said steps must be made to implement agreements the two countries signed.

Joint Ventures Announced

15. (U) Medvedev and Castro signed documents establishing numerous joint business ventures. After several months of negotiations, Russia's largest truck producer, KamAZ, will not only sell its trucks to Cuba, but also establish an assembly plant with Cuba's Tradex. Aeroflot and Cubana de Aviacion will also establish a joint venture. The United Shipping Company and Sovcomflot, Russia's largest shipping company, are also considering joint projects with Cuba.

Energy Cooperation

16. (U) According to press reports, Russian power producer Inter RAO UES reached an agreement with Cuba's Union Electrica to set up a joint venture for thermal and hydropower generation, and to build a 600 megawatt thermal power plant in Cuba. (Note: Hurricanes in the fall of 2008 badly damaged Cuba's power grid, and the joint ventures with Russia will help Cuba meet some of the continuing electricity generation shortfall.) The press speculated that, because most Cuban power plants use oil, Russian oil producers may soon get a foothold in the Cuban oil and gas sector, including developing off-shore resources.

17. (SBU) According to TNK-BP International Relations Manager Davlet Ovezov, however, there is no agreement. During the Russian/Cuban Intergovernmental Committee's meeting in Moscow, the National Oil Consortium comprising Rosneft, Gazprom, LUKOIL, Surgutneftegaz, TNK-BP, and Cubapetroleo (Cupet) signed an MOU with specific terms and conditions to be stipulated in separate agreements and contracts. There are no definite deadlines set for finalizing the contracts, nor there is an indication of each party's share in and contribution to the project. The general idea was to assist the

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Cuban government to develop their sea oil terminals with some involvement in Cuban upstream/downstream. It is also said that extension of the co-operation framework to include some "third parties from the Caribbean" in addition to Cuba and Russia is being discussed. A Conoco-Phillips representative told us that Lukoil was not serious about any of the Cuba initiatives because the terms and economics of proposed deals were "terrible." (Note: ConocoPhillips is Lukoil's strategic partner and owns 20% of the company.)

Aid And Loans Doled Out

18. (U) In a boost to Russian exports, Castro reportedly negotiated state loans at below market interest rates worth over USD 300 million to buy and/or lease Russian agricultural, construction, and other equipment, including a Tu-240SE transport plane. (Note: This is in addition to three Tu-204 and three Il-96 civilian planes Cuba acquired under a loan negotiated in September 2006.) Cuba will spend USD 20 million of this new loan to repair and purchase spare parts for military equipment it purchased from the Soviet Union. Additionally, Russia has pledged to donate two batches of grain of 25,000 and 100,000 metric tons, worth USD 37 million, to Cuba to alleviate the food shortage there.

Deals Signed Before Castro's Arrival

19. (U) On January 23, Deputy Prime Minister Igor Sechin negotiated a series of economic cooperation deals with Cuban government officials in Moscow. A Gazprom-led consortium created in 2008 to develop Venezuela's gas and oil fields signed a cooperation agreement with Cuba Petroleo to jointly work on exploration, production, and refining. Norilsk Nickel agreed to fund exploration of ore reserves in Cuba, with the prospect of mining them in the future. Carmaker AvtoVAZ signed a deal to service its cars in Cuba. In addition, agreements were signed to jointly work on developing vaccines and

cooperate on telecommunications.

COMMENT

¶110. (SBU) As some Moscow-based oil company executives confided to us, the modest trade and investment deals that sprung from Castro's Moscow trip were motivated more by political considerations than purely economic reasons. In addition, since the loan proceeds that Castro secured are contingent on Cuba buying Russian goods and services, Russia is not only extending a helping hand to Cuba, but also boosting its own exports at a time when global demand for much of what Russia produces is sliding. DPM Sechin's extensive role in mid-wifing the Russian-Cuban relationship likely reflects PM Putin's personal interest in reasserting a Russian presence in the Western Hemisphere. Although this vanity political project carries a moderate price tag, as the economic crisis in Russia intensifies, the appeal of proving Russia's reemergence in the far-flung corners of the former Soviet empire may be less than anticipated.